



General Assembly

February Session, 2002

Raised Bill No. 595

LCO No. 2431

Referred to Committee on Finance, Revenue and Bonding

Introduced by:
(FIN)

***AN ACT CONCERNING REQUIREMENTS FOR ISSUANCE OF
MUNICIPAL REFUNDING BONDS AND CERTAIN INTEREST RATE
AGREEMENTS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 7-370b of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage*):

3 [Any] In connection with or incidental to the carrying or selling and
4 issuance of bonds or notes, any municipality, as defined in section 7-
5 369, may obtain from a commercial bank or insurance company
6 authorized to do business within or without this state a letter of credit,
7 line of credit or other credit facility upon such terms and conditions as
8 shall be approved by the [municipal body empowered to authorize the
9 issuance of bonds, notes or other obligations by such] municipality, for
10 the purpose of providing funds for the payment of such bonds
11 required by the holder thereof to be redeemed or repurchased prior to
12 maturity or for providing additional security for such bonds, notes or
13 other obligations. In connection therewith, such [municipal body]
14 municipality may authorize the execution of reimbursement
15 agreements, remarketing agreements, standby bond purchase

16 agreements, agreements for the purpose of moderating interest rate
17 fluctuations and any other necessary or appropriate agreements. If
18 such municipality is required to draw upon any [such] credit facility to
19 redeem bonds prior to maturity, such municipality shall repay the
20 amount of each loan made pursuant to such credit facility within one
21 year from the date it is incurred from the proceeds of refunding bonds,
22 notes or other obligations or from any other available funds.
23 Agreements for the purpose of moderating interest rate fluctuations
24 may include such contracts as the municipality may determine to be
25 necessary or appropriate to place the obligation of the municipality, as
26 represented by the bonds or notes, in whole or in part, on such interest
27 rate or cash flow basis as the municipality may determine, including
28 without limitation, interest rate swap agreements, insurance
29 agreements, forward payment conversion agreements, futures
30 contracts, contracts providing for payments based on levels of, or
31 changes in, interest rates or market indices, contracts to manage
32 interest rates risk, including without limitation, interest rate floors or
33 caps, options, puts, calls and similar arrangements. Agreements
34 entered into by any municipality under this section shall contain such
35 payment, security, default, remedy and other terms and conditions as
36 the municipality may deem appropriate and shall be entered into with
37 such party or parties as the municipality may select on the basis of
38 negotiation or competitive bid, after giving due consideration, where
39 applicable, to the creditworthiness of the counter party or counter
40 parties, including any rating by a nationally recognized rating agency,
41 the impact on any rating on outstanding bonds or notes and any other
42 criteria as the municipality may deem appropriate, provided the
43 unsecured long-term obligations of the counter party is rated the same
44 or higher than the underlying rating of the municipality on the
45 applicable bonds or notes by at least one nationally recognized rating
46 agency. Such municipality may pledge its full faith and credit to its
47 payment obligations, including netting and termination payments,
48 under any agreement entered into pursuant to this section to the extent
49 the full faith and credit of the municipality is pledged to secure the

50 applicable bonds or notes, or to pledge all or any part of the collateral
 51 that secures the applicable bonds or notes to the extent permissible
 52 under its contracts with bondholders.

53 Sec. 2. Section 7-370c of the general statutes is repealed and the
 54 following is substituted in lieu thereof (*Effective from passage*):

55 Any municipality, as defined in section 7-369, which has issued
 56 bonds, notes or other obligations pursuant to any public or special act
 57 may issue refunding bonds for the purpose of paying, funding or
 58 refunding prior to maturity all or any part of such municipality's
 59 bonds, notes or other obligations, the redemption premium, if any,
 60 with respect thereto, the interest thereon, the costs with respect to the
 61 issuance of such refunding bonds and the payment of such refunded
 62 bonds, notes or other obligations. Such refunding bonds shall mature
 63 not later than (1) in the case of a single series of bonds, notes or other
 64 obligations being refunded, the final maturity date thereof; and (2) in
 65 the case of multiple series of bonds, notes or other obligations being
 66 refunded, the final maturity date of any such series last to occur.
 67 Notwithstanding the provisions of the general statutes or any special
 68 act, local law or charter governing the authorization and issuance of
 69 bonds, notes or other obligations and the appropriation of the proceeds
 70 thereof, such refunding bonds shall be authorized, and the proceeds
 71 appropriated for the purposes permitted [for] under this section, by
 72 resolution of the legislative body of the municipality, and shall be
 73 subject to the same limitations and requirements as bonds issued
 74 pursuant to this chapter, provided the provisions of section 7-371
 75 regarding limitations on the date of the first maturity, the amount of
 76 any principal or any principal and interest installments on any bonds,
 77 shall not apply to refunding bonds issued under this section. Such
 78 bonds shall achieve not less than two per cent net present value
 79 savings on the debt service of the refunded bonds, after accounting for
 80 costs of issuance and underwriters' discount. As used in this section
 81 "legislative body" means (A) the board of selectmen in a town that
 82 does not have a charter, special act or home rule ordinance relating to

83 its government, (B) the council, board of aldermen, representative
84 town meeting, board of selectmen or other elected legislative body
85 described in a charter, special act or home rule ordinance relating to
86 government in a city, consolidated town and city, consolidated town
87 and borough or a town having a charter, special act, consolidation
88 ordinance or home rule ordinance relating to its government, (C) the
89 board of burgesses or other elected legislative body in a borough, or
90 (D) the district committee or other elected legislative body in a district,
91 metropolitan district or other municipal corporation.

This act shall take effect as follows:	
Section 1	<i>from passage</i>
Sec. 2	<i>from passage</i>

Statement of Purpose:

To clarify the required conditions for municipal bond interest rate swaps and to increase potential savings to municipalities in connection with advance refunding of municipal bonds.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]